

SOUTH FLORIDA 3Q17 INDUSTRIAL MARKET

GROWTH SLOWED WHILE FUNDAMENTALS HELD

The third quarter of 2017 marked more than seven years of consecutive growth for South Florida's industrial market, as demand outpaced supply for the 30th consecutive quarter, the longest growth streak recorded in over 20 years. Over 786,000 square feet of positive net absorption shrank vacancy by 20 basis points, to settle at 4.2% from the previous quarter. Over the last 24 months, robust demand has created more than 8.0 million square feet of net absorption and has kept market occupancy above 95.0%. This demand has mostly come from healthy expansions of tenants already in the market coupled with new companies moving into the South Florida market. In spite of 3.6 million square feet of new industrial inventory being delivered, the strong leasing of these new buildings lessened the impact they otherwise would have had on vacancy. Tight market conditions translated into near-record-level asking rental rates with the \$8.51/SF average just \$0.04/SF shy of the top rate recorded back in third-quarter 2007.

Leasing & Demand Activity

There were 453 deals totaling 2.7 million square feet of lease activity during the quarter, for a total of approximately 12.4 million square feet of transactions so far this year. This represents a decrease from the almost 16.0 million square feet recorded at the close of the third quarter one year ago. Warehouse/distribution continued to dominate space requirements, posting 9.6 million square feet in third-quarter 2017, followed by general industrial with 2.6 million square feet. R&D/flex space lagged significantly behind with 173,000 square feet so far this year.

Retail and wholesale distribution companies have held on to the lead for the bulk of mid-to large-size lease deals so far this year, accounting for more than 1.8 million of the 6.0 million square feet of reported transactions. The logistics and distribution sector trailed closely behind with 1.6 million square feet, while miscellaneous companies rounded out the top three with 1.0 million square feet. The region's strong ties to Latin America and the Caribbean have fueled this demand, as South Florida's ports have recorded record container levels.

Investment Activity

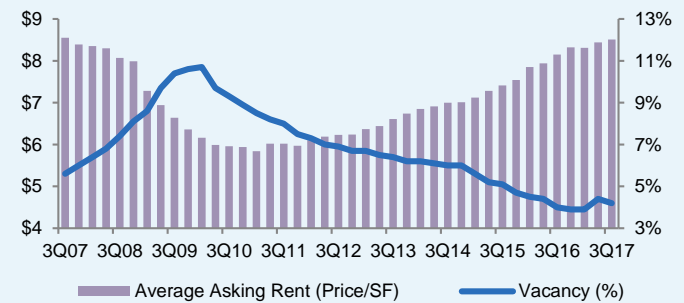
There were 32 investment sales totaling 3.2 million square feet during the third quarter, bringing year-to-date activity to almost 8.0 million square feet that sold for a combined \$844.2 million. By comparison, 4.3 million square feet sold for \$382.8 million at the same time last year, a substantial surge in properties trading hands. The average sales price increased to \$111/SF from \$95/SF one year ago. Strong market fundamentals have returned prices to historic levels, while investment activity has increased, and owners appear to be cashing in on the strong demand.

Current Conditions

- Demand and occupancy levels remained high, as rents reached near-record levels.
- Over 3.6 million square feet of new inventory has hit the market since the start of 2017.
- 3.5 million square feet is poised to hit the market over the next nine months.
- Strong pre-leasing should continue to translate into positive net absorption despite slight upticks in vacancy.
- Investment sales have doubled from one year ago.

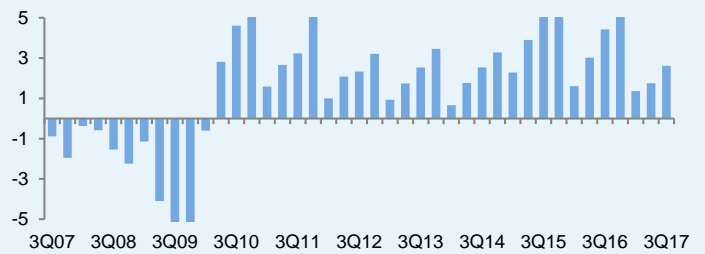
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	364.5 MSF	364.0 MSF	359.6 MSF	↑
Vacancy Rate	4.2%	4.4%	4.0%	↑
Quarterly Net Absorption	786,158	415,840	1,424,956	↓
Average Asking Rent	\$8.51	\$8.44	\$8.15	↑
Under Construction	3,502,4372	3,440,597	5,372,900	↓
Deliveries	287,775	1,666,522	138,728	↑

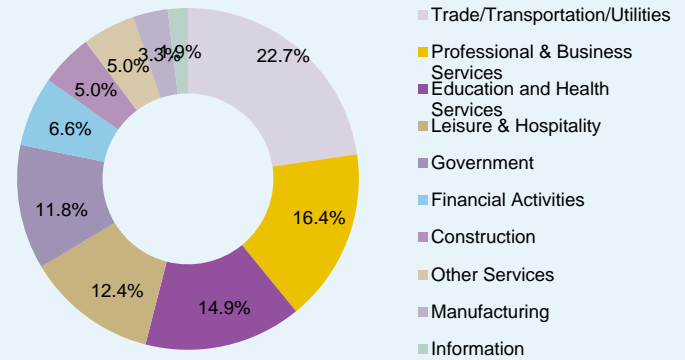
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ECONOMIC CONDITIONS

South Florida's unemployment rate dropped by 90 basis points to 4.5% from one year ago as 61,900 additional jobs were added since August of 2016. Broward County reported the lowest unemployment rate for the region at 3.9%, while Palm Beach followed, with an unemployment rate that at 4.4%, Miami-Dade County saw a healthy decrease of 90 basis points from one year ago to 4.9%. Looking back over the past twelve months, the leisure and hospitality sector took over the lead for the strongest 12-month percentage growth by industry with a 23.9% annual increase which translated into 14,800 added jobs as South Florida's tourism industry was stronger than ever. Education and health services posted the region's second largest job creation, with 14,400 positions added while the trade, transportation and utilities industry followed with an increase of 8,800 jobs. Manufacturing jobs remained sluggish with losses totaling 400 while the information sector posting a net loss of 800 jobs. The financial services sector lagged the furthest, reporting losses totaling 1,600 from one year ago.

Employment By Industry

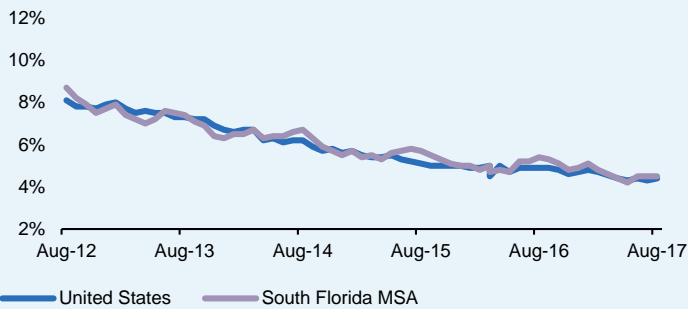
South Florida, Aug 2017 Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

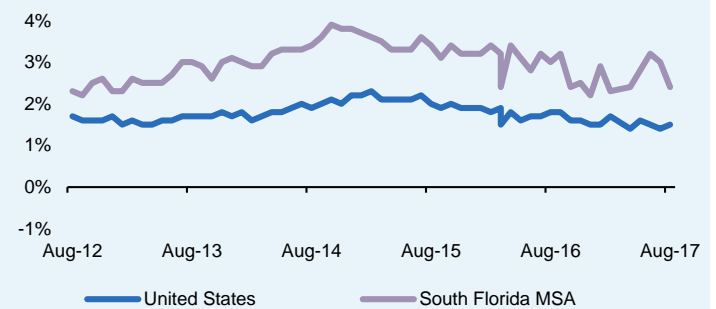
South Florida, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

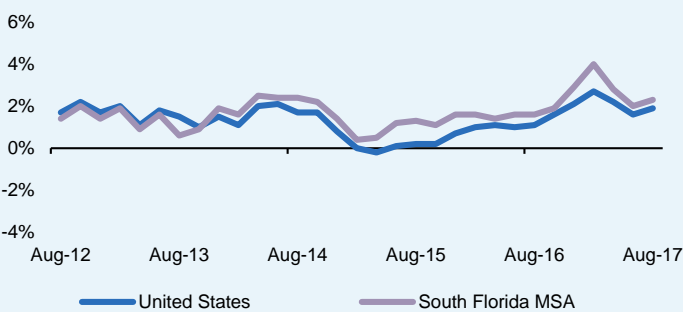
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

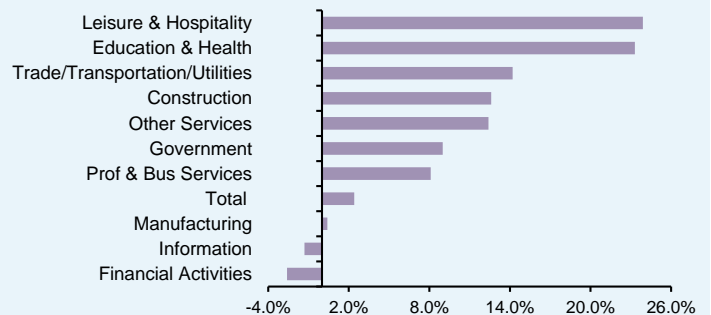
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

South Florida, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics